

RICK SNYDER GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY LANSING

GARY HEIDEL EXECUTIVE DIRECTOR

DATE: October 12, 2012

TO: CDBG County Allocation Grantees (Past and Present):

Attn: Staff and administrators responsible administrative tasks associated with CDBG Program Income and those responsible for managing CDBG-

funded projects on OPAL.

FROM: Renee Conklin, Community Development Division

RE: Part I - Program Income Included in Projects Set-up on OPAL

Part II - Program Income Data Entry Requirements

Part I

Recently HUD monitored Michigan's CDBG programs. MSHDA received findings for the lack of tracking and monitoring of projects funded with program income (PI) retained by CDBG County Allocation grantees. HUD also issued a finding for the lack of detail we capture and report for PI-funded projects. MSHDA is required to take action immediately to remedy these findings.

From this point forward, grantees are required to set-up ALL PI-funded projects on OPAL. PI –funded projects will be set-up within a grant which means 100% PI-funded projects are no longer allowed. This will allow grantees and MSHDA to capture all required data on OPAL. PI must also be reported in the grantee's PI Account on OPAL as described in Part II of this memo.

The minimum amount of grant dollars invested in each project is \$100 meaning the minimum amount allowed on line B-17 of the OPAL proforma is \$100. Grantees will enter the PI invested into the project in line B-13 of the proforma (see attached sample Proforma).

- Grantees with less than \$100 of available grant funds to EXPEND on a project must notify their CD Specialist prior to setting-up the project on OPAL for less than \$100.
- If the balance of grant dollars to COMMIT to projects is less than \$100 but the balance to expend is greater than \$100, the grantee should revise/reduce the set-up amount of an existing project by replacing unexpended dollars with PI (line

B-13 of the proforma). This will "free-up" grant dollars to commit to another project.

 PI will be committed only to projects that will be completed by the end of the grant term.

Grantees planning to submit an application for new county allocation funding must hold PI until the new grant is awarded. Grantees not wishing to apply for county allocation funds, and those agencies denied additional funding are required to return all PI (uncommitted and received from this point forward to MSHDA). See Policy Bulletin #4 for further details.

Part II

MSHDA CDD has conducted an internal audit of county allocation grantees' program income accounts and found that the manner in which PI is reported in the OPAL PI account varies widely. If your agency has not been entering data in to the PI account on OPAL as described below you are required to complete the attached spreadsheet and return it to CDD by November 13, 2012.

From this point forward, grantees are required to enter data in to the PI account as described below. In addition, Grantees should refer to Policy Bulletin #4 on MSHDA's website for rules and regulations related to the use of CDBG Program Income. Grantees should expect all future monitoring visits to include the review of documentation to confirm compliance.

ENTERING DATA IN THE OPAL PI ACCOUNT:

CDD's review of PI accounts revealed that the level of detail, in most cases, is inadequate; the entries are too general making it impossible to track commitments and expenditures to actual projects/addresses. The proper way to enter data in to the PI accounts is a 3-step process: Receipt of PI; Commitment of PI; and, Expenditure of PI. A description of the process is described below.

1. Receipt of PI (see Figure 1 attached)

Grantees typically receive PI in the form of monthly installments or when a recipient pays off the balance owed.

 Monthly installments - may be entered as a lump sum with a description stating, for example, "March monthly installments." The Grantee is required to maintain an itemized listing of the installments supporting deposits into the PI account. The itemized list must include the recipients' names, addresses, and amount of payment received.

 <u>Pay-offs</u> – will be entered as separate transactions. Description will state, for example, "Pay-off, 123 N. Main, Washington". The name of the original recipient may be included, but only the address is required.

2. Commitment of PI (see Figure 2 attached)

<u>Projects</u> - Grantees must commit PI to individual projects/addresses before they can expend PI. Grantees must enter the specific address that the project dollars will be committed with a description that will state, for example, "123 N. Main, Washington". The name of the recipient may be included in the description, but only the address is required.

<u>Admin</u> – Grantees may charge up to 20% of PI received to admin. Grantees are required to maintain documentation supporting the admin expenditures. Admin must be committed under a separate transaction in the PI account. Some grantees commit an amount equal to 18 – 20% of the project costs as project costs are committed. This is acceptable as long as the commitment of projects is a separate transaction from the commitment of admin. The following is an example of acceptable descriptions used for the commitment of admin: "committed admin for 123 N. Main, Washington".

Grantees must NOT combine the amount of admin and the amount of committed PI to projects in the same line item transaction.

NOTE (see Figure 4 attached): The total dollar amount committed to a project (not the admin) in the PI Account must equal the total amount of PI entered into line B-13 of the proforma on OPAL. If the dollar amount of PI changes as the work progresses, the change must be reflected in both the project proforma and the PI account. To reflect any adjustments in the PI account enter another transaction for that address with a positive or negative amount committed/expended. Describe the transaction as an adjustment to that specific project address.

3. Expenditure of PI (see Figure 3 attached)

Grantee must choose "project" or "admin" from the drop-down menu when reporting an expenditure.

<u>Projects</u> – enter the amount expended on a single address. Grantees may lump multiple expenses for a single address in to one transaction or they may enter them separately. If lumped together the description will state "123 N. Main, Washington, ABC Plumbing –\$2,400, Acme Roofing – \$4,500, etc. The name of the recipient may be included in the description, but only the address is required.

NOTE: The total dollar amount recorded as expended on a project (not the admin) in the PI Account must equal the total amount of PI entered into line B-13 of the proforma on OPAL. If this amount changes as the work on a project progresses, see "NOTE" above to make corrections to the PI Account.

<u>Admin</u> – Grantees may charge up to 20% of PI received to admin. Grantees are required to maintain documentation supporting the admin expenditures. Admin must be expended under a separate transaction in the PI account with a description, for example, "expended admin for 123 N. Main".

Grantees must NOT include the amount of admin and the amount of expended PI to projects in the same line item transaction.

Figure 1 - Receipt of PI

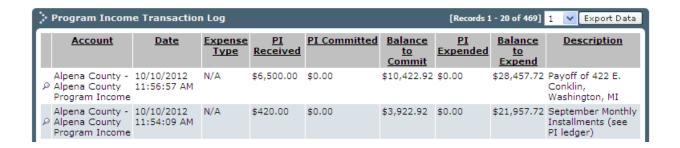


Figure 2 - Commitment of PI

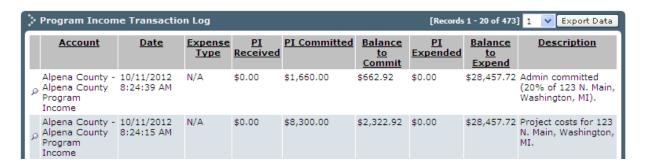
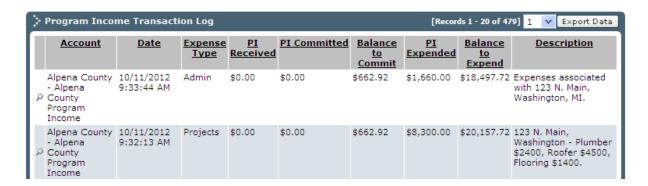


Figure 3 – Expenditure of PI



CDBG County Allocation Grantees October 12, 2012

Figure 4 – Proforma showing PI on line B13.

Grantee Grant Number Property Address County Original/Revised Proforma? Date	Alcona County MSC-2012-xxxx-HOA 123 N. Main, Washington, MI Alcona County Original 10/1/201	Homeowner Rehab Proforma Updated 1.18.2011 Correction to Line A5
A Estimate Project Costs		B Estimate Funding Sources
1 Lead Testing and Clearance 2 Hard Rehab Cost 3 Lead Hazard Remediation Cost 4 Landscaping Costs (not to exceed \$1,000) 5 First Mortgage Loan Refinancing costs up to \$3500 (including credit 6 Sub-total of Hard Project Costs 7 Choose to take leverage incentive if eligible (y/n) 8 Leverage Incentive Fee 8a Max Allowable Incentive paid to FHLBI Lender 8b Requested FHLBI Incentive Fee 9 Total of Itemized Project Costs	\$350 \$8,000 \$1,000 repair costs).	1 Homeowner Cash Investment 2 PIP Loan Amount 3 USDA Rural Development 4 Michigan Dept of Human Services 5 Weatherization Funds 6 Other Loans 7 Other Grants 8 PJ MatchFederal 9 PJ MatchNonFederal 10 Other Program IncomeNonMSHDA
C Household Information		12 Subtotal Leveraged Funds13 CDBG Program Income
Household Size Annual Household Income 80% Income Limit for Household Size State Equalized Value of property (pre-rehab)	\$37,000 \$37,000 \$37,000	14 Initial Setup Amount (before uniternize 14a Project CDBG funded? (y/n) 15 Max Allowable Soft Costs on OCD fur 15a Max. Soft Costs on Leverage (10%) 16 Soft Costs Charged to Project 17 Total Setup 18 Subtotal of MSHDA Funds 19 Subtotal of Federal Funds
D Compliance Check		20 Minimum Mortgage
Household Below 80% AMI Lesser of Rehab Cost Excluding LBP or Federal Money Lead Paint Threshhold (assuming not otherwise exempt) HUD 203(B) Limit for County Post-rehab value less than 203(B) limit Fill Bi Incentive Fee within limits Soft Costs within Maximum Limit Froject within funding cost limits?	Go 63% \$8,000 Interim Control \$200,160 Go \$83,000 Go Go Go \$95	
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E Project Evaluation 1 LBP remediation costs as % of total rehab costs 2 Percentage of project paid by leveraged funds I certify that the above worksheet is a complete accounting of all fund this project, including our best estimate, of costs not yet incurred on this date. All funds provided from any source for this project are fully form. Any funds granted or loaned to this project in the future but no be promptly disclosed.	the project as of / disclosed on this	
Name	Date	